

Obama Signs 1099 Repeal Bill

President Obama signed on April 14 a bill (H.R. 4) to repeal controversial expanded information reporting on Form 1099 for certain business payments and rental property expense payments. The Senate passed H.R. 4 on April 5, the House had approved the bill on March 3, 2011.

IMPACT. *Repeal of expanded business information reporting (and to a lesser extent, repeal of rental property expense payment reporting) is certain to reduce the burden on taxpayers, especially on small businesses. The mechanics of expanded reporting would have required taxpayers to capture significantly more information for reporting.*

The votes in the House (314 to 112) and in the Senate (87 to 12) signaled strong support for repeal of the 1099 provisions that crossed party lines. .

Comment. *The new law does not repeal other recently enacted information reporting mandates, such as Code Sec. 6045A, which generally requires reporting of basis and other information by stock brokers and mutual fund companies for most stock purchased in 2011 and all stock purchased in 2012 and later years.*

In March 2010, Congress approved the Patient Protection and Affordable Care Act (PPACA) (P.L. 111-148), which included among its revenue raisers an expansion of business information reporting. Section 9006 of the PPACA required businesses, charities and government entities to file a Form 1099 when they make annual purchases aggregating \$600 or more to a single vendor, other than to a vendor that is a tax-exempt organization, for payments made after December 31, 2011 and reported in 2013 and thereafter. The PPACA also repealed the long-standing reporting exception for payments made to corporations.

Comment. *Almost immediately after passage of the PPACA, businesses voiced concerns about the burden of reporting. National Taxpayer Advocate Nina Olson also warned about the burdens of reporting, especially on small businesses.*

Repeal. H.R. 4 repeals the expanded information reporting requirements for business payments as if Section 9006 of the PPACA had not been enacted.

IMPACT. *Repeal means that the pre- PPACA 1099 reporting rules for business payments continue unchanged. In particular, businesses must continue to issue Form 1099s for payments of \$600 or more to service providers. Additionally, repeal means that the long-standing exception to required information reporting for payments made to corporations remains intact.*

Comment. *The exception for payments to a corporation is not universal. The exception does not apply to payments made for attorney's fees, and amounts paid to a corporation that provides medical or health care services (subject to certain exceptions). Payments to certain tax-exempt organizations, government entities, international organizations, and retirement plans continue to be excepted from reporting under IRS regulations*

(Thank you CCH).